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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C.

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Advanced Television Systems) MM Docket No. 87-268
and Their Impact Upon the)
Existing Television Broadcast)
Service)

COMMENTS OF TELOQUEST SYSTEMS, INC.

TelQuest Systems, Inc. ("TelQuest") hereby submits its comments in response to the Federal Communications Commission's ("FCC") Fifth Further Notice of Proposed Rule Making released on May 20, 1996 in the above-captioned proceeding (hereinafter "NPRM").

I. Introduction

TelQuest is an independent direct broadcast satellite (DBS) company created to provide packaged satellite services to potential competitors in the cable marketplace. By providing a DBS-based programming pipeline, TelQuest will allow smaller, independent wireless cable and phone companies to compete with entrenched cable conglomerates and bring more choices in service and lower prices to consumers. TelQuest service would be provided by using at least 22 transponders on a Canadian-licensed satellite to be located at 91° W.L. The company plans on offering comprehensive national service to local service providers, including wireless cable competitors, telephone companies and others. Local providers will be able to marry local programming with TelQuest's national offerings,

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allowing them to provide customers with comprehensive programming at affordable rates.

TelQuest will not sell service directly to consumers.

National cable conglomerates currently dominate the cable TV market in virtually every city and suburb. TelQuest's plan breaks the current conglomerate-dominated model and allows other service providers, including independent cable companies, phone companies and others, to enter the market at competitive prices. Wireless cable will become a more viable competitor via TelQuest's System as it will allow those operators to provide service to homes that do not have line of sight to 76 wireless cable operator's transmitter. TelQuest will also make digital compression affordable for wireless cable enabling those operators to provide substantially more than the 32 channels they can currently offer. TelQuest fills a critical niche in the market and helps provide the sort of competition in the video programming services industry envisioned by the Telecommunications Act of 1996. TelQuest's digital service will result in more competitors in the market and more choices for consumers.

II. TelQuest requests that the FCC not mandate VSB as the modulation scheme for ATV

TelQuest supports the FCC's proposals to endorse the Advisory Committee on Advanced Television Service (ACATS) digital television (DTV) broadcast standard, with one exception. With regards to the modulation scheme set forth in the ATSC Standard proposal, TelQuest requests that the FCC not mandate VSB (vestigial side band) as the

modulation scheme. TelQuest requests instead that the FCC leave the modulation scheme open to the service provider to choose.

If the modulation scheme is left up to the service provider, TelQuest would support the ATSC DTV in the deployment of DTV compatible equipment in all wireless and DTH markets which TelQuest, its affiliates, and partners operate. This widespread support would positively effect the public by: a) providing lower cost equipment driven by multi-vendor support for TelQuest and affiliated services; b) drive equipment to the marketplace sooner; c) reduce customer equipment requirements to a single decoding device for DTH, MMDS, and broadcast television.

As noted in Section II, paragraph 7 of the NPRM, the FCC “believe[s] that the ATSC DTV Standard embodies the world’s best digital television technology and promises to permit striking improvements to today’s television pictures and sound; to permit the provision of additional services and programs; to permit integration of future substantial improvements while maintaining compatibility with initial receivers; and to permit interoperability with computers and other digital equipment associated with the National Information Initiative.” TelQuest agrees with the FCC that the ATSC DTV Standard delivers on most of this criteria with the exception of the maintaining of compatibility with initial receivers.

In Section II, Paragraph 31, the FCC states the Analysis of Required Standards. The two conditions referred to ask the that “there is substantial public benefit from a standard”, and the “private industry either will not, or cannot, produce a standard because the private costs of getting involved in standard setting outweigh the private benefits, or a

number of different standards have been developed and private industry cannot agree which should become the standard.” TelQuest believes that the current VSB modulation scheme stipulated by the DTV Standard does not serve the public since it does not promote compatibility between digital broadcast standards. Alternate modulation schemes in lieu of VSB modulation as employed by other delivery methods represent an opportunity for the public to benefit from shared use of existing technology. Digital settop boxes that are deployed by existing subscription television service providers could be reused by the broadcast television service providers if the modulation scheme is the same. As such, TelQuest believes that the broadcast television providers would benefit from having an existing installed base of receive equipment available when they turn up their digital service. Additionally, consumers would have greater confidence knowing that the customer premises equipment would be cross-industry compatible between the popular broadcast subscription television services and the broadcast free television services. In turn this would further encourage the equipment vendors to manufacture receive devices that would be capable of decoding cross-industry signals.

As noted above, TelQuest believes that ACATS is generally incorrect in its assertion that “the ATSC DTV Standard is suitably interoperable with other video delivery media and imaging systems, including cable television, direct broadcast satellite, and computer systems.” See Section VI, Paragraph 60 of the NPRM.

In reference to Section IV, Paragraph 25 of the NPRM, TelQuest agrees that the “Commission should adopt a complete standard, as opposed to adopting a standard for limited purposes” so long as the modulation scheme is not mandated. By mandating the

adoption of VSB as the modulation method as part of the ATSC DTV Standard, compatibility across digital decoding devices will become an expensive transcoding process at the consumer premises. The demodulation method employed by any other provider of digital television services will most certainly be different from VSB. The market has made progress in determining the appropriate defacto standards for modulation of digital television signals, none of which are VSB.

With no mandate on modulation scheme within the ATSC DTV Standard, TelQuest believes the following can be achieved:

- Faster adoption by multiple vendors
- Faster acceptance of digital TVs when consumers see greater compatibility among competing service
- Consumers will be served by one demodulating and decoding device to receive either broadcast, or wireless cable, or DBS, or cable television signals.
- Lower consumer costs due to multiple hardware vendor competition
- Lower consumer costs due to wider acceptance and volume price discounting
- Lower consumer costs due to greater content volume and competition

TelQuest would not expect the FCC to propose a modulation scheme to replace the ATSC's specified VSB modulation. However, by not mandating the use of VSB the marketplace will be free to adopt the full ATSC DTV Standard based upon prevailing modulation methods. Modulation methods have been established by the marketplace and equipment vendors for cable television, wireless cable, and satellite direct-to-home, and direct broadcast video businesses.

The concerns of those who are interested in no government standards does not serve the public well. TelQuest agrees with the FCC as to the importance of a digital television standard. TelQuest believes that without a standard issued by the FCC, there will be little interest in developing either digital televisions or digital settop converters for the American marketplace. Without such standards, and without widespread adoption of such standards, the American consumer will pay more for demodulating and decoding equipment. In addition, content providers will avoid the risk that too few consumers will be able to view their products.

Together with the FCC, TelQuest will work diligently to promote the ATSC DTV standard with its vendors, affiliated wireless cable operators, and broadcasters, as long as the modulation scheme in the standard is not VSB. TelQuest believes that it is in the best interest of the consumer to have a reasonable solution for adoption of a digital television standard. TelQuest further believes that by not mandating the use of the proposed VSB modulation, the television service providers will work together to quickly produce solutions that encourage consumer adoption, vendor competition, and lower product pricing due to commodity production volumes.

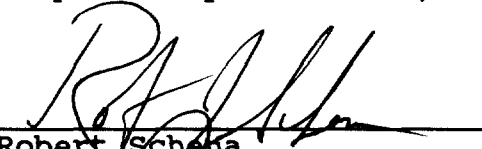
III. Conclusion

TelQuest supports the adoption of the ATSC DTV standard with the exception that the VSB modulation scheme should not be mandated. Video programming services providers should be allowed to choose a standard for modulation of digital television signals that is more likely to lead to cross-

industry compatability and interoperability. Adoption of a standard that is interoperable with other video delivery media is critical to the successful entry of TelQuest into the DBS market in the United States and a greater choice of digital TV services for American consumers.

Respectfully submitted,

By:


Robert Schena
President and Chief Operating
Officer, TelQuest Systems,
Inc.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on July 11, 1996, a copy of the foregoing Comments were delivered, By first-class mail postage pre-paid, or By hand delivery (as indicated by an asterisk) to the following:

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